

THE FUTURE OF THE ARMY'S GOVERNMENT-OWNED INDUSTRIAL BASE

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Introduction

Ask 10 people what they think the Army should do with its government-owned industrial base in the future and you will probably get 10 different answers. Some will argue that it is a valuable national treasure with critical capabilities of which the Army would be foolish to divest. Some will argue that it is an antiquated albatross with a significant amount of unused capacity, high rates, an unwillingness to transform itself, and should be divested of as quickly as possible. Others believe the answer lies somewhere between these two extremes.

With the option to close many of its installations available to DOD in 2005, the Army must soon make a decision on this controversial issue. If the Army believes its government-owned industrial base is too antiquated, too costly, and incapable of transformation, it will have the opportunity to offer much of it to the Secretary of Defense as base closure candidates. This avenue creates an irreversible decision that the Army should only make if it is sure it will never need control of those capabilities again.

To help assess this situation, the Army contracted with the RAND Corp. to study the government-owned industrial base and provide independent recommendations on what to do with it. RAND's findings indicate the government-owned industrial base does provide some critical capabilities, but the current statutory and regulatory impediments create an environment that makes it nearly impossible for these installations to operate efficiently. Their recommendation is to either privatize the Army's manufacturing arsenals or form a Federal Government Corporation (FGC) to manage them. By removing the arsenals from DOD, they would be free to pursue

additional workload and operate more like a business.

Privatizing the arsenals must be given serious thought, for once that action occurs, they are gone forever, including the Army's only foundry and only large caliber gun tube manufacturing capability. Even though the option of an FGC retains government ownership of the arsenals, it removes them from the direct control of the Army. And, as RAND admits, gaining congressional approval to do so may present an uphill battle and, even if successful, would likely take as many as 7 years to implement.

So what is the answer? In a perfect world, the Army would retain its government-owned industrial base and transform it into an efficient and effective business unit. This new business unit would reduce the government infrastructure, increase partnerships with both private industry and the field Army, significantly increase the use of capacity, and lower labor rates to a level comparable with industry. Furthermore, this would all be possible without the need for subsidized funds. Impossible, you think? Think again, and then say hello to the U.S. Army Tank-automotive and Armaments Command (TACOM) Ground Systems Industrial Enterprise (GSIE).

Background

The GSIE was formed on Oct. 10, 2002, merging the capabilities of six Army facilities into a single Enterprise—Anniston Army Depot in Alabama, the Lima Army Tank Plant in Ohio, Red River Army Depot in Texas, Rock Island Arsenal in Illinois, Sierra Army Depot in California, and Watervliet Arsenal in New York. GSIE was the brainchild of MG N. Ross Thompson III, Commanding General of TACOM, and MG Wade H. McManus Jr., Com-

manding General of the then Operations Support Command (now the Joint Munitions Command). Both general officers understood the benefits of leveraging the capabilities of these valuable complexes.

The intent of GSIE is to leverage the government-owned ground systems industrial base in such a way as to create a complementary and synergistic mix of manufacturing, maintenance, storage, and outloading capabilities. Imagine the potential of combining 32 million square feet of manufacturing and repair space, 36,000 acres of high-desert storage, a 7,168-foot runway, approximately 4,500 pieces of industrial plant equipment, and 481 of the latest Computer Numeric Code (CNC) machine tools, along with 5,600 dedicated employees. These highly skilled workers include more than 300 engineers, 350 welders, and 500 machinists, many of whom are deployed around the world at any point in time. Imagine if the installations that possess these capabilities would work together instead of competing against each other, sharing workload and acting as ambassadors for one another. And imagine if they were free from bureaucracy in their business processes, reducing their rates so that they are comparable with private industry without the need for subsidies. The goal of GSIE is to make this a reality without the Army having to lose control of this valuable resource.

The truth of the situation, though, is that these installations are currently governed by a substantial amount of legislation and government bureaucracy. Eleven statutes affect work being done at Army industrial installations, most of which were introduced by individual members of Congress for particular reasons and to benefit particular sites. While these statutes are

well-intended, they tend to cause confusion and unneeded consternation about exactly what work can and should be performed at which installations and under which law. To help simplify this situation, GSIE formally submitted, as one of its first initiatives, draft legislation that clarifies several of the most-used statutes in question while continuing to meet their intent. This single piece of legislation complements and reinforces the current statutes to pave the way for new and innovative strategies for increasing workload at the government-owned installations.

Legislative reform is simply the first step in creating an efficient industrial enterprise. Another significant impediment that must be addressed is the current financial system. As an industrially funded organization, GSIE facilities must recapture all costs in their rates, even though many of these costs have nothing to do with the actual cost of the product. For example, certain customers are paying the so-called fully burdened rate at one installation so that the Army can pay for things such as environment-related issues at other installations. The phrase "put it in your rates" has become all too common and creates financial havoc at GSIE installations. The more these extraneous costs are included in the rates, the higher the rates climb. The higher they climb, the less workload that develops. This financial death spiral must be reversed for the Army to retain its government-owned industrial capabilities. To do so, GSIE installations must be able to offer different rate structures and firm-fixed-price contracts to certain customers when the situation permits.

GSIE Approach

GSIE's plan of action encompasses four objectives—continually improve support to soldiers, reduce infrastructure, increase efficiency, and increase workload.

Continually Improve Support To Soldiers. As the U.S. Army Materiel Command (AMC) assumes more of the field Army responsibilities, GSIE must provide a closer link between its installations and the Army's posts, camps, and stations. The transfer of the operational control of the supply and maintenance mission of the Fort Knox Director of Logistics affords TACOM a

chance to showcase its immense talent to the field Army. By proving their ability to bring value-added assets to help the field, the TACOM workforce is leading the way in logistics transformation.

Reduce Infrastructure. Nearly everyone acknowledges the existence of excess infrastructure across the industrial base, and reducing the unneeded portion of the infrastructure is a major GSIE initiative. The question is how much to reduce and how to go about it. Under GSIE, the requirement for the government-owned footprint will be reduced around the installation's critical capabilities, thereby freeing up space for partnering or tenant use. A footprint reduction has just been completed at Watervliet Arsenal, resulting in 290,000 square feet of excess space in three buildings, along with 527 machines. This space is now available to tenants who generate revenue that offsets costs to the Army.

Increase Efficiency. Increasing the efficiency of the retained capabilities is a never-ending journey with GSIE. GSIE installations are currently pulling from a kit bag of efficiency initiatives to tailor a package that is best suited for their operations. One of the prominent efficiency initiatives being aggressively implemented within GSIE installations is the leaning of our operations. Lean manufacturing is the process of reducing waste and streamlining manufacturing processes to better use resources (equipment, inventory, and labor) in an organization. The lean philosophy is to continually improve processes by eliminating non-value-added waste from the system. Using tools such as value stream mapping, which refines processes, and rapid improvement events, which focus on rapid improvements in a specific work area, GSIE's goal is to increase the efficiency of selected maintenance and manufacturing lines by 10 percent.

Increase Workload. Even with infrastructure reduction and increased efficiencies, it is important for the GSIE to generate new workload for the installations. While a significant increase for cannon assembly and gun mount orders is not likely, there are requirements for the capabilities that make these items. A major strategy for GSIE is to tap into new and innovative work that matches with these critical capabilities. That work might come from other services, the field Army, foreign

military sales, or private industry. It is important to note that GSIE does not intend to compete with private industry. Rather, the intent is to provide potential industry partners with another source for hard-to-get items, or simply to offer them the capabilities that can make them more competitive in the global marketplace.

GSIE Oversight

A GSIE Leadership Council consisting of the installation commanders and GSIE corporate directors is managing the accomplishment of these objectives. Their responsibilities are to approve major workload assignments, capital expenditures, process improvements, and transformation initiatives across the enterprise.

A GSIE Corporate Board of Directors, consisting of major customers such as representatives from selected Program Executive Offices, the U.S. Army Forces Command, private industry, and academia, oversees the GSIE. The board's responsibilities are to review and approve major strategic and resource decisions for the enterprise, as well as ensure an integrated customer and industry partner interface.

Conclusion

All of these initiatives are designed to offer the U.S. Army an efficient and effective alternative to full privatization or an FGC. By implementing the legislative and financial changes, improving support to customers, reducing infrastructure, increasing efficiencies, and attracting new workload, GSIE can achieve the benefits of privatization without having to relinquish control of the assets. GSIE can, and will, continuously increase support to soldiers while reducing the enterprise rate to a level comparable with industry without the need for subsidies.

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